

**EXPERT REPORT OF  
PINHAS SHMILOVITCH**

**Prepared for:**

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## Table of Contents

	<u>Page</u>
I. Statement of Qualifications .....	P.1
II. Questions Presented .....	P.4
III. Discussion and Analysis .....	P.5
A. How do you assess the capability of the Israel Security Agency (the "ISA"), particularly with regard to combating and thwarting terrorist activities carried out against Israel, its citizens and its national interests? .....	P.5
B. During the relevant time period, did the ISA, as part of its intelligence operations, (i) review and monitor financial information and activities from both foreign and domestic financial and business institutions, and (ii) identify Arab Bank as a provider of financial services that facilitated acts of terrorism, genocide or crimes against Israel, its citizens and its national interest?.....	P.8
C. During the relevant time period, how did the ISA view charitable organizations operating within the Palestinian Territories? .....	P.10
D. Did the promise of financial reward or compensation to the families of suicide bombers provide a meaningful incentive for such suicide bombers? .....	P.12
E. Based on your many years of service in the ISA, did the Israeli intelligence community, in general, and the ISA, in particular, view and/or consider Jordan a security threat to Israel during the relevant time period? .....	P.14

**Exhibits**

Cirriculum Vitae.....	A
Compensation.....	B
Documents Reviewed.....	C
Publications (Prior Ten Years).....	D
Other Expert Testimony (Prior Four Years).....	E

I. **Statement of Qualifications**

1. From 1977 through 1984, I served in the Israeli Military Intelligence of the Israeli Defense Force ("IDF") in the Highly Classified Information Gathering Unit, commonly known in Israel as "Unit 8200."

2. In 1984, I joined the ISA, commonly known in Israel as *Shabak*, which is roughly equivalent to the Federal Bureau of Investigation ("FBI") in the United States. I served in the ISA for approximately 21 years, ultimately achieving the rank equivalent to the IDF rank of Brigadier General. Initially, I served as an Analyst in the Information Analysis Branch, where I was responsible for the Jerusalem, Nablus and Tulkarem areas. The Information Analysis Department (which includes several Information Analysis Branches) guides the collection of intelligence, and then analyzes and processes such information. The Information Analysis Department receives information from various intelligence sources from both inside and outside of Israel, assesses such information, and forwards the assessment with appropriate directives to the relevant ISA units and other security authorities. From 1987 through 1990, I held the position of Head of the Integrated Geographic Branch within the Information Analysis Department, which analyzed all of the information regarding hostile and terrorist activities in the Tulkarem and Qalqilyah Region. From 1990 to 1993, I was promoted to Deputy Head of the Information Analysis Department and from 1993 to 1996 I was further promoted to Head of said Department, where I was responsible for the entire Samaria Region in the West Bank. In these positions, I guided the collection, processing and analysis of information received from the various sources from both inside and outside of Israel, and I issued appropriate directives with respect

to such information. I had the authority to, among other things, order the arrest of suspects, initiate an operation and restrict the movement of individuals to travel abroad, etc.

3. Beginning in 1997 and through 2000, I was one of the senior members of the ISA who led an organizational reform within the ISA, and headed a new department dedicated to combating terrorism, with a focus on cross-border (both domestic and extra-territorial) terrorist activities. This new department, which was called the Department on Combating Cross-Border Terrorism, was responsible for, among other duties, (i) managing international cooperation with foreign intelligence organizations in an effort to identify and prevent terrorist activities, and (ii) establishing the ISA's Counter-Terrorist Funding Branch to prevent the flow of funds to terrorist organizations.

4. From 2000 through 2001, I served as Instructor of new Analysts in the ISA, during which time I was responsible for instructing, qualifying, and guiding new Analysts on how to guide the collecting, processing, analysis and prioritizing of information, and how to make judgments based upon said information, etc.

5. During the years 2001 through the end of 2004, I served as Head of Internal Affairs in the ISA. On behalf of the Attorney General (*Praclitot Ha Medina*) and the Head of the ISA, I was responsible for investigating violations of all applicable rules and regulations governing interrogations performed by the ISA.

6. Due to the nature of my entire service in the ISA, I was continuously updated and exposed to a wide range of intelligence, reports and information prepared and submitted by different units of the ISA concerning various terrorism issues.

7. I received a Master's Degree in Social Science (National Security) from Haifa University in 1996.

8. My full Curriculum Vitae is attached hereto as Exhibit A.

9. My answer to each question is provided below and is based on personal opinion and on my background, as set forth in my Curriculum Vitae and this report.

10. For security reasons, the content of my responses, including information, assessments and conclusions contained herein, is based on open source unclassified information and does not rely on, or reveal, any privileged or classified information to which I was exposed as part of my ISA job.

11. Prior to submission, this report was forwarded to the ISA to ensure state secret protection and no violation of security protocols and/or the laws of Israel. However, the ISA's approval does not reflect its confirmation or consent to the information and assessments contained in this report which was written on my own accord and reflects my opinion only.

**II. Questions Presented**

12. I have been asked to address the following questions:
- A. How do you assess the capability of the Israel Security Agency (the "ISA"), particularly with regard to combating and thwarting terrorist activities carried out against Israel, its citizens and its national interest?
  - B. During the relevant time period, did the ISA, as part of its intelligence operations, (i) review and monitor financial information and activities from both foreign and domestic financial and business institutions, (ii) identify Arab Bank as a provider of financial services that facilitated acts of terrorism, genocide or crimes against Israel, its citizens and its national interest?
  - C. During the relevant time period, how did the ISA view charitable organizations operating within the Palestinian Territories?
  - D. Did the promise of financial reward or compensation to the families of suicide bombers provide a meaningful incentive for such suicide bombers?
  - E. Based on your many years of service in the ISA, did the Israeli intelligence community, in general, and the ISA, in particular, view and/or consider Jordan a security threat to Israel during the relevant time period?

**III. Discussion and Analysis**

**A. How do you assess the capability of the ISA, particularly with regard to combating and thwarting terrorist activities carried out against Israel, its citizens and its national interest?**

13. The ISA was founded shortly after Israel's Declaration of Independence in 1948 to ensure Israel's continued security.

14. The ISA is a part of Israel's intelligence community, which also includes mainly the Mossad and the IDF's Military Intelligence (commonly known as Aman). Among other duties, the ISA is responsible for internal security within Israel, including the Palestinian Territories, while Aman is the military intelligence organization within the IDF, and the Mossad is the organization responsible for intelligence outside of Israel's borders. One of the primary functions of the ISA is to prevent terrorist attacks against Israel, its citizens and its national interest.

15. The operation of the ISA regarding intelligence activities is a dynamic process which includes five phases: (i) the directive phase; (ii) the collection phase; (iii) the processing and analysis phase; (iv) the execution phase; and (v) the auditing phase. In the directive phase, Israel's leaders and heads of the various intelligence organizations analyze relevant internal and external elements affecting Israel, and then create a list of threats, which outline the main issues to be addressed by each organization in the upcoming year. This list is then distributed to the various intelligence authorities, including the ISA, according to their field of responsibility. For example, in the mid-1990s, when terrorist financing was identified as an issue to



address, the ISA and other intelligence authorities closely examined this issue and defined the needs, methods and targets in order to properly address the issue. The second phase, known as the collection phase, is where relevant and necessary sources of intelligence, such as human intelligence ("HUMINT"), signals interception intelligence ("SIGINT"), public and open sources intelligence ("OSINT"), and visual monitoring intelligence ("VISINT") are utilized in order to obtain the needed information regarding individuals, entities, organizations, or groups that may pose a threat to Israel, its citizens, or its national interest. The third phase is the processing and analysis phase, whereby the intelligence collected from the various sources is provided to the Information Analysis Department for processing, which includes (i) checking the reliability and credibility of the information and sources, (ii) analyzing the information, (iii) assessing its importance, and (iv) constructing an intelligence "picture." The fourth phase is the execution phase, during which decisions are executed with further action, such as interrogations, arrests, closures of organizations and business enterprises, further monitoring, further investigations, etc., as is deemed necessary and appropriate. The final phase is the audit phase during which the ISA checks itself to determine whether these other phases have worked effectively and makes necessary adjustments for future action.

16. The above-mentioned process is a very dynamic and flexible one; there is cooperation in each and every stage between the different departments and units within the ISA, and between the ISA (on the one hand) and other internal security organizations and external security authorities (on the other hand). For example, it is public knowledge that Israel and the United States, which share many security

interests, cooperate extensively concerning intelligence issues, including sharing of information.

17. The ISA is a highly professional agency that strives to achieve its primary goal of maintaining the internal security of Israel, its citizens and its national interest. The success of the ISA's operations is evidenced by its ability, over time, to dramatically reduce terrorist attacks against Israel.

In conclusion, it is my opinion, based on my first-hand experience, that the ISA is extremely effective in monitoring, investigating and preventing terrorist activities of any kind, targeted to threaten and harm Israel, its citizens and its national interest. The best proof of its effectiveness in preventing terrorism is the fact that the Israeli security authorities, led by the ISA, has managed to decrease dramatically the number of successful suicide attack attempts that were made by Palestinian terrorists. For example, during the period 2001 and 2004, the following number of suicide attacks were prevented: 20 out of 54 attempted attacks were prevented in 2001; 112 out of 167 attacks were prevented in 2002; 184 out of 209 attacks were prevented in 2003; and 116 out of 130 attacks were prevented in 2004.

**B. During the relevant time period, did the ISA, as part of its intelligence operations, (i) review and monitor financial information and activities from both foreign and domestic financial and business institutions, and (ii) identify Arab Bank as a provider of financial services that facilitated acts of terrorism, genocide or crimes against Israel, its citizens and its national interest?**

18. Over the years, the Israeli security authorities, in general, and the ISA, in particular, utilized various methods in order to identify and prevent the funding of terrorist activities. In the framework of this activity, a significant amount of intelligence information was collected through, among other methods, informants, interrogations of hundreds of Palestinians and Arab Israelis who were involved in funding terrorist activities, research reports, evaluation meetings and analysis of intelligence. In particular, the ISA, as well as the other security agencies, has utilized intelligence in the form of financial and business activities occurring both inside and outside of Israel, including the Palestinian Territories.

19. During my service as the Head of the Department of Combating Cross-Border Terrorism from 1997 through the end of 2000, I managed the Counter-Terrorism Funding Branch, where I frequently reviewed financial and business activities (inside and outside of Israel and the Palestinian Territories) that were suspected to be connected with terrorism (inside and outside of Israel and the Palestinian Territories). In this position I directed the unit responsible for foiling

money movement to terror organizations, and received information concerning terrorist financing activities by financial institutions during the relevant time period.

20. During my 21 years of service in the ISA, I did not review, nor was I ever presented with, any information, which accused Arab Bank, its employees or managers of being involved in aiding and abetting terrorist activities, including transferring funds to, or otherwise incentivizing terrorist activities.

21. In my opinion, if the ISA and the Israeli security authorities found any information connecting Arab Bank with knowingly transferring funds to support terrorist activities, the Israeli authorities would have acted directly against Arab Bank, its managers and employees, and would have immediately blocked the Bank's activities and closed down Arab Bank's operations. Specifically, I am aware of the raid on the Ramallah Branch of Arab Bank in February 2004, carried out by the IDF and the ISA. Following the raid, Israeli authorities took no administrative or criminal measures against the Bank, any of its managers, or any of its employees. During the period in question, the Israeli authorities acted against other business and private individuals (who acted in some cases as money changers or couriers) involved in terrorist financing and would have taken similar actions against Arab Bank.

**C. During the relevant period, how did the ISA view charitable organizations operating within the Palestinian Territories?**

22. Charity (referred to in Arabic as *zakat*) is one of the pillars of the Islamic religion and an integral part of the Palestinian community. Charitable organizations provide numerous services to the community such as schools, orphanages, hospitals, food distribution and other welfare services.

23. During the relevant time period, these charitable organizations were generally supervised by the Ministry of Awqaf and other ministries in the relevant fields of operation (such as education, health, social affairs, etc.). As with other business and financial institutions, the Israeli Authorities monitored during the relevant period these charitable organizations to determine whether or not they are involved in aiding or supporting terrorism. In my opinion, and as been publicly stated, the ISA has the capability of figuring out whether the charities are supporting terrorism or terrorist groups since it has the ability to collect, analyze and evaluate information from many different sources as described in this report.

24. Charitable organizations generally provide humanitarian services to the Palestinian community which are totally transparent. In my experience in order to determine whether the operations of a particular charity are suspicious, the Israeli Authorities will focus their attention on the individuals involved in the charity.

25. When the Israeli Authorities discover that a charitable organization is aiding or supporting terrorist activities, they shut them down and arrest the individuals responsible.

26. Actions are taken against individual board members and against the charitable organizations on a case-by-case basis depending upon whether the Israeli Authorities believe that they are a risk to Israeli security. The Israeli Authorities consider the specific activities of the person identified, the threat those activities pose, and how regular and widespread those activities appear to be within the organization. In many cases, the Israeli Authorities act only against individuals and not against the charity itself.

27. As a 21-year veteran of the ISA, I believe that the ISA viewed charitable organizations as an integral and important part of Palestinian life, providing critical services to that community. When they engaged in aiding and supporting terrorist activities, it was extremely difficult to detect this without the resources available to the ISA.

**D. Did the promise of financial reward or compensation to the families of suicide bombers provide a meaningful incentive for such suicide bombers?**

28. During my service and based on my academic study, I was involved with constructing and analyzing profiles of, and understanding the motivations of suicide bombers. However, in constructing such profiles, while it was impossible to establish a clear picture as to the motives of suicide bombers, as will be further explained below, the payment of money was not a meaningful incentive for such attacks.

29. In my experience, all levels and units of the ISA utilized their intelligence abilities to better understand the suicide bomber phenomenon, in particular to understand the mechanism, methods, modus operandi and motives of such individuals. Attempts to identify psycho-pathological motives, religious motives, personal vengeance, ignorance and poverty did not fully explain the phenomenon.

30. When examining and analyzing the motives behind suicide bombings, I believe that the financial motive was not considered as a meaningful motive, if at all. In my opinion, and based on my first-hand knowledge, I believe that the primary motive for suicide bombings is the result of an atmosphere created by leaders in the Palestinian community where individuals feel a duty to sacrifice themselves because of the totality of their situation. The duty to sacrifice themselves results from a number of factors: religious belief, frustration, a quest for honor and holiness, a desire to sacrifice, disappointment, despair, lack of political expectancy or hope and a desire to cause radical change.

31. It is important to distinguish the term "suicide bomber" from the term "*Shahid*." The word "*Shahid*" is a religious term in the Islamic religion, literally meaning witness.

It is used as a term of honor for Muslims who have given their lives to fulfill a religious commandment, or waging war for Islam. Thus, the Palestinians refer to any Palestinian individual who was killed during the conflict as a "*Shahid*", regardless of the circumstances of that person's death. The Islamic religion also refers to a Muslim who dies during pilgrimage to Mecca as "*Shahid*." Thus, the term "*Shahid*" does not necessarily refer to a terrorist.

32. The use of the word "*Shahid*" has more than one meaning. Accordingly, When a Palestinian uses the term "*Shahid*", [e.g., "I want to be a '*Shahid*'"], one should identify and characterize the individual who made the statement and to examine the context in which the statement was made. The Israeli Authorities do not automatically characterize an individual who makes such a statement as a terrorist.

33. Even when reviewing information compiled by the charitable organizations or the PA authorities containing list of names of "*Shahids*", it is not automatically interpreted as referring to terrorists or suicide bombers. Innocent Palestinians killed by the IDF during civilian demonstrations or killed during violent clashes between Israelis and Palestinian militants or even killed by other Palestinians are all referred to as "*Shahids*." A classic example is the tragic event that sparked the First *Intifada* in 1987 was when four Palestinians were killed in a crash between their car and an Israeli vehicle and they were declared as "*Shahids*" by the late Yassar Arafat and Palestinian society.



**E. Based on your many years of service in the ISA, did the Israeli intelligence community, in general, and the ISA, in particular, view and/or consider Jordan a security threat to Israel during the relevant time period?**

34. I understand that Arab Bank is headquartered in Amman, Jordan.

35. Since the 1970s to the beginning of the 1990s, Israel has allowed Jordan to be directly involved with civil aspects of the Palestinian population in the West Bank. Such involvement by Jordan involved economic, municipal, civil, social and charitable activities, education, infrastructure and, of course, managing and controlling the *Awqaf* (Islamic holy places) in the West Bank and Jerusalem, such as the Dome of the Rock - the Islamic shrine in Jerusalem. In fact, Israel welcomed the involvement of organizations which were affiliated with Jordan.

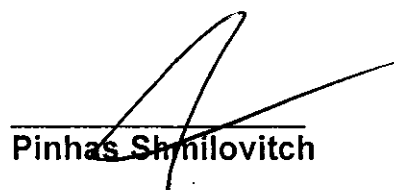
36. Following the Oslo Agreement (1994) and to the present date, Jordan has been actively involved in the Palestinian Territories, with Israel's knowledge and approval, in the various areas as described above, including banking activities. Israel did not consider Jordan's involvement, or the funds that were transferred and invested by Jordan in the West Bank as a threat to Israel's security interests.

37. With respect to its position on terrorism, Jordan has repeatedly opposed terror activity against Israel during the relevant period. Jordan has been a target for terrorist attacks in the past and has made significant efforts to thwart terrorism against both itself and Israel. Jordan's efforts to combat terrorism are a matter of public record. Even where terrorist activity that originates within or through Jordan against Israel, its citizens, or its national interest has been successful, there has been no

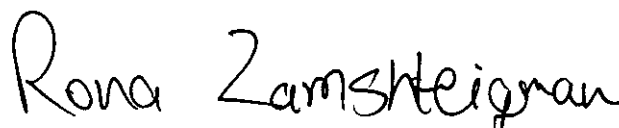
evidence that Jordan encouraged or facilitated such activity. To the contrary, the late King Hussein of Jordan condemned a 1997 shooting attack carried out by a Jordanian soldier against Israeli school girls at the Jordanian-Israeli border. Following the incident, the late King Hussein, accompanied by Israel's Prime Minister Netanyahu, visited the families of the victims and offered his personal condolences.

38. Based on my many years of service in the Israeli intelligence community, as described above, it is my opinion that Jordan was not viewed by Israel as a threat to Israel's security either during the relevant time period, or during the entire duration of my service from 1977 to 2004. To the contrary, Israel and Jordan share common interests with respect to preventing and combating terrorism. Indeed, Israel has cooperated with many countries in the fight against terrorism and the financing of terrorism, including Jordan.

39. It is my opinion that Jordan never knowingly, directly or intentionally financed terrorist activity against Israel, and has not encouraged or supported terrorism of any kind against Israel.

  
Pinhas Shmilovitch

Signed before me on February 22<sup>nd</sup>, 2011:

  
Epstein, Chomsky, Osnat & CO.



## **EXHIBIT A**

### **CURRICULUM VITAE**

**PINI SHMILOVITCH**

#### **EDUCATION**

Graduate financial management for CEO's. IMC 2006

Master' Social Science (National Security). Haifa University. 1996

B.A in Social Science. Haifa University. 1995

Management, command and intelligence courses- I.S.A (Israeli Security Agency)

**MILITARY SERVICE** – 1977- 1984- service in the I.D.F - Intelligence corps.

#### **PROFESSIONAL EXPERIENCE –**

##### **2005-current**

Counselor and Lecturer of **terror and counter terrorism and Intelligence**, in several Israeli and foreigners institutes and relevant companies and organizations.

##### **2005-2009**

Co-founder and CEO of several startups that deals with internet and mobile in Israel.

**1984-2005-** service in the **Israeli Security Agency (I.S.A.)**; last position: **Head of Subdivision**. (Parallel to **Brigadier General**)

##### **2001-2004- Head, Internal Affairs, I.S.A.**

Responsibility on behalf of the State Advocacy and the Israeli Security Agency (joint submission to the state advocate and the head of the Security Agency) to inspect irregularities and investigate complaints.

##### **2000-2001 Instruction Director, I.S.A**

Managing a wide-scope instruction project for training a large group of new professional analysts in the field of desk and research and analyzing of information

##### **1997-2000-Head, Unit of International Terror, I.S.A.**

- Responsibility for all Security Agency activities in the field of international terror. Integrated intelligence activity with other Israeli and foreign intelligence organizations.

- Establishment of the "counter terror funding Unit" for foiling money movement to terror organizations

##### **1993-1996 – Head Intelligence desk unit in the operational region**

- Responsibility for integration between intelligence, operation and information gathering. Creating a "complete intelligence puzzle ", and guiding active factors in the Security Agency. (Dynamic period full of terror events)

- This function includes activities of collecting, adaptation, analyzing, assessment, integration and guidance in variation of intelligence areas. (Including the technical abilities)

**1984-1993- Intelligence activities in varied Security Agency units.**

**EXHIBIT B**

**COMPENSATION**

My compensation for my work on this matter is at the rate of \$350.00 per hour, plus expenses.

**EXHIBIT C**

**DOCUMENTS REVIEWED**

None.

**EXHIBIT D**

**Publications (Prior Ten Years)**

None.

**EXHIBIT E**

**Other Expert Testimony (Prior Four Years)**

None.